



RBA:
CITY OF AUSTIN
RECOMMENDATION FOR BOARD ACTION

AGENDA ITEM NO: 2
AGENDA DATE: 5/14/2009
PAGE: 1 OF 3

SUBJECT: Authorize the negotiation and execution of an agreement to purchase 11.1 acres of land in the 400 block of Little Texas Lane from CAPTIVITY INVESTMENTS THREE, LP, for an amount not to exceed \$2,000,000 in Rental Housing Development Assistance Program funds for the development of the Village on Little Texas, a proposed 240-unit mixed-income apartment complex in the 400 block of Little Texas Lane; authorize the negotiation and execution of a lease agreement for the land for up to 99 years to a newly created Limited Liability Corporation established to develop and operate the Village on Little Texas; authorize the negotiation and execution of a Rental Housing Development Assistance Program loan to the Limited Liability Corporation in an amount not to exceed \$940,000 to assist in the development of the Village on Little Texas; and, authorize the negotiation and execution of an operating agreement for the Village on Little Texas with the Limited Liability Corporation that enables the Austin Housing Finance Corporation to serve as the Managing Member in the transaction.

AMOUNT & SOURCE OF FUNDING: Funding in the amount of \$2,940,000 is available in the Fiscal Year 2008-2009 Austin Housing Finance Corporation budget allocation under the Rental Housing Development Assistance Program using proceeds from General Obligation Affordable Housing Bonds.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required

REQUESTING
DEPARTMENT: Austin Housing Finance Corporation

DIRECTOR'S
AUTHORIZATION: _____

FOR MORE INFORMATION CONTACT: Margaret R. Shaw, Austin Housing Finance Corporation, 974-3184

PRIOR COUNCIL ACTION:

BOARD/COMMISSION ACTION:

The Village on Little Texas is a development proposed by Captivity Investments Three, LP, under the Rental Housing Development Assistance (RHDA) program. Subject to Austin Housing Finance Corporation (AHFC) Board approval, the Village on Little Texas will be developed as a 240-unit mixed-income rental housing apartment complex on 11.1 acres in the 400 block of Little Texas Lane in South Austin. To facilitate development of the project, the AHFC will purchase the land for \$2,000,000 using RHDA program funds and lease the property to a newly created Limited Liability Corporation (LLC) through a 99-year lease agreement. In addition, a RHDA program loan of \$940,000 will be provided to the LLC to assist in the development and construction of the Village on Little Texas, and an operating agreement for the project will be negotiated and executed with the LLC that will enable the AHFC to serve as the Managing Member in the transaction.

The Village on Little Texas will be owned and operated by the newly created LLC with the AHFC as its Managing Member and owning a 30-35 percent share of the completed development. With AHFC's ownership of the land, the property will receive a 100 percent property tax exemption which will enhance the long-term financial viability of the project. In addition, the LLC will pay the AHFC an annual lease amount of \$10,000, and the AHFC will receive 30 percent of annual net cash flows generated from rent revenues. Furthermore, the AHFC will have "first right of refusal" to purchase the development or receive 35 percent of the sale proceeds subject to the mutual agreement of all parties should the property be sold. The proposed RHDA program loan to the LLC will be provided as a deferred-payment loan at a yearly interest rate of zero percent for a term of 99 years and forgiven at the end of the loan period subject to compliance with the loan agreement.

The 240-unit Village on Little Texas will include 180 one-bedroom units and 60 two-bedroom units. Of the total 240 units, 50 units will be reserved for families with yearly household incomes not to exceed 50 percent of Austin's median family income (MFI - currently set at \$36,650 for a four-member family), including 18 units for families with yearly incomes not to exceed 30 percent of Austin's MFI (currently set at \$22,000 for a four-member family). Anticipated monthly rents for the 50 income-restricted units will range from \$292 to \$343 for one-bedroom units and \$558 to \$663 for two-bedroom units. Rents for the remaining units will be from \$730 to \$1,040 per month. A minimum of 24 units will be made accessible for families with mobility disabilities and five units will be made accessible for families with hearing and vision disabilities.

The project was received in response to a Notice of Funding Availability (NOFA) under the RHDA program using proceeds from Affordable Housing General Obligation Bonds (GO Bonds). The Housing Bond Review Committee reviewed the funding application and supports the proposed project. The project received support because it meets or exceeds all the goals for GO Bond funding including deeper levels of affordability (30 percent MFI); longer-term affordability (99 years); and geographic dispersion due to its location near South Congress Avenue and Interstate-Highway 35. In addition, the project will contribute to AHFC's asset base and strengthen its long-term financial capacity.

In addition to the requested RHDA program funds for land acquisition and construction, the project has secured funding through the U. S. Department of Housing and Urban Development's 221(d) 4 Program. The project is subject to local and federal environmental review and fund release requirements, and will be developed in compliance with S.M.A.R.T. Housing™. Estimated sources and uses of funds for project development are as follows:

<u>Sources:</u>		<u>Uses:</u>	
Owner equity	\$ 1,273,000	Acquisition	\$ 2,000,000
HUD 221(d) 4	18,359,000	Construction	16,928,232
AHFC for land	2,000,000	Predevelopment, carrying costs	2,830,268
AHFC for construction	<u>940,000</u>	Other (consulting, developer fee)	<u>813,500</u>
Total	\$22,572,000	Total	\$22,572,000

The project is in the Sweetbriar Neighborhood and supported by the Sweetbriar Homeowner's Association, and located in the South Congress Combined Neighborhood Planning Area. The Future Land Use Map of the South Congress Combined Neighborhood Planning Area indicates the site as "Mixed Residential," which is compatible with the proposed project. Supportive services will

be available to residents in the Little Texas development including after-school and summer camp programs for youth from the ages of 12 months to 12 years, and financial literacy and homebuyer education services from Frameworks Community Development Corporation, a local non-profit organization.

The requested funding is available in the Fiscal Year 2008-2009 AHFC budget allocation under the RHDA program using proceeds from GO Bonds. The request is consistent with the City of Austin's currently approved Consolidated Plan and the AHFC's strategy to provide assistance through below market-rate financing for the development of affordable rental housing for low- and moderate-income households and persons with special needs.